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C O N F I D E N T I A L SECTION 01 OF 02 LILONGWE 000055

SIPDIS
AF/RSA FOR LOUIS MAZEL, LAURA GRIESMER, RYAN BOWLES
AMEMBASSY YAOUNDE PASS TO AMEMBASSY MALABO

E.O. 12958: DECL: 2020/02/17
TAGS: [PREL](#) [PGOV](#) [EAID](#) [CH](#) [MI](#)
SUBJECT: MALAWI: REQUEST FOR INFORMATION ON CHINESE ENGAGEMENT

REF: A. 09 LILONGWE 77; B. 10 STATE 10152

CLASSIFIED BY: Bodde Peter, Chief of Mission; REASON: 1.4(B), (D)

11. (SBU) SUMMARY: Malawi terminated its relationship with Taiwan and established ties with the People's Republic of China in December 2007. Malawi made the abrupt change in hopes of obtaining significant PRC grant aid (ref A). Apart from a few projects taken over from Taiwan, Chinese assistance has instead taken the form of soft loans for showpiece projects - that the Malawian people must someday pay for - rather than grants. There is no collaboration between the U.S. and China at this time in Malawi. Potential areas for future collaboration appear limited given the differences between the USG's emphasis on long term economic and social development, and China's emphasis on high profile projects. Responses below are keyed to the questions in ref B. End summary.

OVERALL CHINESE ENGAGEMENT

12. (C) China's two-year old partnership with Malawi is having an impact. China has undertaken several high profile commercial projects that are, among other things, transforming Lilongwe's Capitol Hill with construction of a 5-star hotel and conference center. While the GOM and the Chinese have steadily increased their engagement over the intervening two years, the vision of a strong trade relationship, along with generous PRC development aid, remains unrealized. Nonetheless, President Mutharika and senior GOM officials pay frequent homage to their new relationship with China both in public and in private, highlighting the lack of conditionality attached to Chinese assistance. What GOM officials fail to publicly acknowledge, however, is that except for two grants to complete projects started by Taiwan, China's engagement has been almost exclusively concessionary loans. The Chinese Government has sought to curry favor with the ruling party, certain ministries and influential journalists by offering numerous training trips to China, scholarships and other inducements.

13. (U) The catalogue of Chinese assistance and investment in Malawi includes:

- Completion of the Karonga-Chitipa Road in northern Malawi (88 km of roadway, project started by the Taiwanese, grant of \$70M)
- Completion of a new Malawi Parliament Building (project started by the Taiwanese, grant of \$41M)
- Construction of a five star hotel and conference complex

in Lilongwe (concessionary loan estimated at \$25M)

- Construction of a new soccer stadium (concessionary loan estimated at \$65M)
- Construction of a new Ministry of Defense and Malawi Defence Force Headquarters Building (grant of \$4M)
- Construction of two primary schools (grant of \$1.4M)
- Furniture and vehicles for GOM's MFA (grant of goods valued at \$300,000)

EXAMPLES OF CURRENT U.S. - CHINA COLLABORATION

¶4. (U) There is currently no collaboration between the U.S. and China at the project level in Malawi. Our Ambassador enjoys a cordial relationship with the Chinese Ambassador to Malawi and both participate in the Heads of Mission working group that meets regularly to discuss policy issues.

POTENTIAL AREAS FOR U.S. - CHINA COLLABORATION

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¶5. (C) Potential areas for U.S. - China collaboration in Malawi appear limited. China's emphasis on commercial investment and showpiece projects is quite different from the USG's focus on long term economic and social development. This dissonance, coupled with lack of transparency on project financial controls and procurement systems, would make working with the Chinese challenging.

¶6. (C) Post sees two areas where limited coordination may be possible: 1) Agricultural value chains such as cotton and maize, where the Chinese are already doing some work, and where USAID will soon be starting a new program under the Food Security Initiative; and 2) the Health sector, where there are reports that the Chinese may be preparing to help Malawi establish a national public health institute.
BODDE